

Regional Consumer Pulse

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Regional consumers will lead the way on spending recovery

The latest survey by economic forecaster Charlie Nelson points to a robust recovery in consumer spending, with consumers in regional Australia showing the strongest increase in ability and willingness to spend since the global financial crisis hit last year.

The survey was carried out in April 2009 and the results endorsed by Harold Mitchell in his column in the Fairfax business press on Thursday 30 April.

The prediction of increased spending is based on consumers' responses to the question of how they would manage a discretionary \$1000 bonus or gift, allocating a proportion to spending, saving or debt repayment.

The proportion of discretionary funds Australian consumers would allocate to spending has rebounded to a record high, up by almost 50% since the November survey. There has been a corresponding fall in the proportion of discretionary funds that would be allocated to debt repayment. This makes perfect sense given the dramatic fall in interest rates since last year.

Regional first to respond

Regional consumers in fact started to increase their willingness to spend last November after the first tranche of the government stimulus package was released. Regional consumers, who are 36% of the population, received a disproportionately high share of the hand out estimated at 44% of the total. In addition regional consumers have a lower debt burden because of more affordable housing.

Consumers are then asked to rate their own financial wellbeing by classifying themselves as "No Worries" (can save and buy whatever they want); "Comfortable" (can afford to spend on extras); "Getting By" (can meet expenses but nothing left over) and "Broke" (never seem to have enough money).

The combination of the "No Worries" and "Comfortable" groups represent consumers who have the ability to spend on discretionary items. On this measure almost 60% of regional consumers see themselves as having discretionary spending ability, significantly more than the 50% of metro consumers in this group.

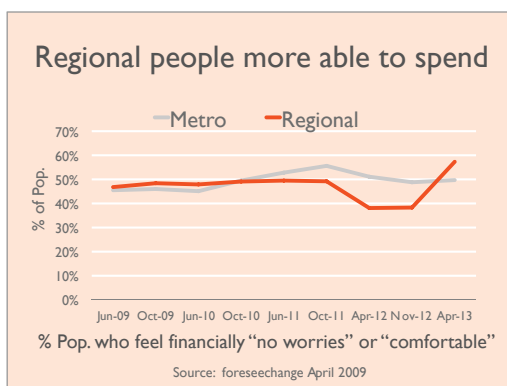
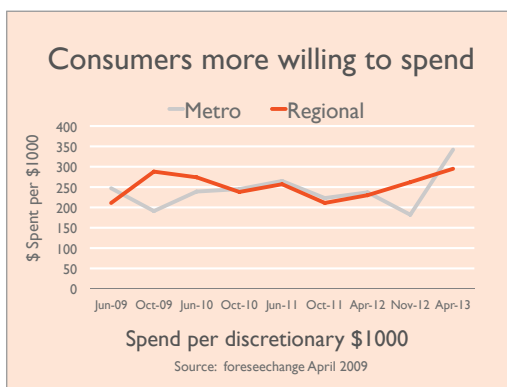
Again the higher proportion of government stimulus funding and lower debt burden of regional households appear to be the key drivers of the rebound. It is estimated that the average household will be better off by \$4000 in 2009 because of these inputs.

Few worries in Regional

In particular it is the "No Worries" segment that has grown the most in regional. A year ago in April 2008 21% of regional consumers agreed they "have few financial concerns being able to both save and buy what I want". Currently 28% of regional consumers agree with this statement, the highest on record during the life of the survey.

In contrast the proportion of metro consumers who classify as "No Worries" is lower at 24% and has not grown in the past 12 months.

The research findings clearly point to above average regional increases in higher value discretionary spending such as cars, holidays and home appliances.



Charlie Nelson's upbeat view

According to Charlie Nelson, the author of the survey, the findings are significant because they show the underlying robustness of regional household spending and the potential for speedy recovery from the GFC.

He points out that economic stimuli to discretionary consumer spending in the past 12 months has included an additional \$35 billion in the form of much lower interest rates, lower petrol prices, and bonus payments from the federal government.

Nelson adds that consequently there are now great opportunities for advertisers, especially if they target the most attractive consumer segments, which includes regional consumers.

“Charlie has been helping me pick trends for more than 10 years and I haven't seen him get it wrong yet.”

Harold Mitchell 30 April 2009 SMH/AGE